

**20<sup>th</sup> Anniversary  
of the  
Vienna International Centre  
(9 October 1999)**

**Notes for  
High-Level Panel Discussion**

**International Organizations' Contribution to  
Human Security into the 21<sup>st</sup> century**

**Repositioning the multilateral system  
to reform the reforms**

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Mr. Moderator (Dr. Kurt Bergmann)  
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State Secretary (Madam Benita Ferrero-Waldner)  
Canadian Parliament President (Hon. William Graham)  
Panel colleagues  
Ladies and Gentlemen

Good afternoon

**1. Thanks for kind words of introduction.**

**2. Focus of brief remarks (maximum 7 min.)**

- Changing context for international organizations
- Need to reform the reforms going on in the developing and transition economies those organizations have to deal with.
- New conceptual role of international organizations as providers of global public goods geared to new generation of reforms in developing countries.
- Future role of UNIDO — as example of an international organization that mobilizes of public goods (rather than the public “bads” that some of my counterparts in Vienna are charged with combatting).

**3. Context for the celebrations.**

- Celebrating the Vienna International Centre’s 20<sup>th</sup> Anniversary coincides with fundamental discussions to re-architecture the multilateral system.
- Standard arguments favour those reforms:
  - ▶ Lack of efficiency in UN system and Bretton Woods institutions
  - ▶ Lack of interest among Member States — especially since end of the cold war
  - ▶ Lack of financial support — reflection of the first two

arguments.

- Question: why demand changes when old problems remain unsolved — poverty, instability, insecurity, wars, environmental degradation etc.

#### **4. Reforming developing countries' reforms**

- One main future challenge for multilateral institutions: assist developing/transition economies maintain their reform momentum.
  - ▶ Some results from first generation reform packages during last 15 to 20 years were encouraging.
  - ▶ But not all problems solved. For example:
    - Wealth effect through lowering inflation was one-time shot.
    - Productivity increments proved unsustainable.
    - Few wide-spread shifts from low-skill, low value-added production to high-skill, high value-added areas (outside the two generations of NICs).
  - ▶ One direct result: loss of popular support for reform initiatives. Crucial this be restored.

#### **5. Keep this *first* generation of reforms in place. -**

- But these were essentially *macroeconomic* reforms — a fundamental step towards *economic* security.
- Need to move forward with further reforms that:
  - ▶ Address broader aspects of human security — not only economic. Also food, health, environmental, personal, community and political security.
  - ▶ This means building and developing efficient sets of policies that:
    - link macro-economic stability with micro-economic performance;
    - develop health, education and training systems to

provide a better social foundation for growth through increased productivity;

- improve the welfare of ordinary people.

## 6. **Renew support for second generation reforms.**

- Not enough attention being paid to a second generation of reforms
- These are reforms that make the changes at the micro- and institution-levels — crucial for making the private sector the motor of development and generator of more widespread benefits essential for human security.
- Reforms such as:
  - ▶ developing the legal and regulatory framework;
  - ▶ measures to stimulate ownership solutions, multiply the number of entrepreneurs and develop the small and medium scale entrepreneurial sector;
  - ▶ building up productive sector support institutions to address supply bottlenecks (chambers of commerce, industry associations and other organizations of civil society;
  - ▶ strengthen the development of health, education and training systems to provide a better social foundation for achieving economic objectives such as increased growth and productivity, and more widespread benefit.
- These are also the reforms that engender respect for human rights, increase participation in democratic processes and improve the quality of the physical environment.
- Close attention to productivity inputs and potential “wealth effects” will improve popular public support for the whole reform process.

## 6. **Linking *macro-* and *micro-performance* calls for third generation reforms.**

- Second generation is essential, but not enough to link macro-economic stability with micro-economic performance.
- Nor will it (by itself) re-engineer free enterprise in a way that makes it possible for more people to participate in growth and development.
  - ▶ Question is, how to improve the performance of global capitalism, which presently concentrates benefits in few hands and ignores the concerns of the many whose lives it affects.
  - ▶ This is an anomaly: property rights and the built-in signalling system (allowing people to express their individual concerns) mean that free enterprise is uniquely suited to providing today's missing connectivity.
- We are therefore looking for a third generation of reforms — reforms that will provide the *soft infrastructure* needed to link macro-economic reforms with the life of the majority of the people and improve their welfare.
- This third generation will necessarily focus on mobilization of knowledge, information, skills and technology essential for successful development.

## **7. Role of international organizations**

- Link between international organizations and the three generation of reforms at country level is their role in providing and disseminating international public goods.
- Already the concepts of national and global (or international public goods) are increasingly accepted as the basis of thinking through the special responsibilities of the international community — and by implication the role of the multilateral system.
- We may come soon to the idea that individual organizations'

ability to mobilize public goods and link them with specific generations of country-level reform should be a prime criterion for those organizations' own transformation and future work.<sup>1</sup>

- For example (and acknowledging the risk of oversimplification):
  - ▶ First generation reforms were associated primarily with the IMF and its ability to deliver the international public good *economic stability*.
  - ▶ Second generation reforms call on the services of the World Bank and the UN humanitarian and development system (for example, UNDP, ILO, UNESCO, UNEP, WHO, UNCTAD and (the old) UNIDO).
  - ▶ The public goods they supported have been variously listed as justice, equity, labour rights, education, environment, health, trading systems and industrialization.
  - ▶ Third generation reforms concerned with the public goods *knowledge, information, skills and technology* will call especially on the World Bank Group's IFC, and the organizations most closely associated with the productive sector (FAO, ILO, UNCTAD and UNIDO).

## **8. Implications for multilateral system transformation: the UNIDO example.**

- Provision of public goods associated with specific generations of country-level reform can be the fundamental principle for changes and transformations of the whole system of international organizations and at the level of the

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<sup>1</sup> Provision of public goods is not the only criterion for validating international organization's services: contribution to global equity and gains from international cooperation may be equally, in some cases more important for particular organization.

international organization itself:

- ▶ An appropriate system of international organizations would feature both:
  - clear non-overlapping mandates to provide/disseminate specific public goods;
  - clear cooperation/coordination procedures;
- ▶ Individual organizations would have:
  - resources commensurate with the scale of the public *bad*s they are mandated to eradicate;
  - capability with respect to *two* distinct levels of public goods, namely provision/ dissemination of:
    - ▶ *national* public goods — envisaged (but modernized) in San Francisco and Bretton Woods Agreements;
    - ▶ *international* and *global* public goods — envisaged by international treaties, protocols, agreements and action plans.
- As a second and third generation reform organization, UNIDO would continue to promote *industrial development* as a public good in itself. And it set up UNIDO to promote it, accordingly.
- But industrialization and industrial development would be re-conceived as making a significant (probably indispensable) contribution to provision and dissemination of two further international public goods, namely
  - ▶ *long-run international economic and political stability*
  - ▶ *sustainable international natural environment*.
- These require the third-generation-reform public goods mentioned already. These are international public goods which as a rule in developing countries are not produced and disseminated in sufficient quantity locally — industrial knowledge, technology, information and industrial standards being prime examples.

- Nevertheless, industrial development remains associated with a large number of national public goods, whose provision still needs to be supported internationally.

## 9. **Some practical consequences.**

- At this moment we are re-examining all our core services — the service modules which Member States have approved as our response to their Business Plan — for their ability to provide or disseminate international and national public goods related to industrial development.
- For example, the industrial dimensions of knowledge and information include:
  - ▶ *Technological knowledge.* Three of UNIDO's present current core services must be seen contribute to this public good: *Investment and Technology Promotion, Statistics and Information and Industrial Policy Formulation and Implementation.*
  - ▶ *Economic knowledge.* In particular *knowledge for industrial development* comprises three intermediary public goods:
    - quantitative and qualitative information on industry
    - empirical research based on this information and
    - sound and credible country-specific policy advice based on empirical studies.

These are the international and national public goods on which UNIDO's services in the areas of *Statistics and Information and Industrial Policy Formulation and Implementation* should be focussing.

## **10. In summary**

- International organizations will face significant new challenges in the 21<sup>st</sup> century.
- Sooner or later they will be reorganized to become more effective as a global governance system.
- In the meantime, individual organizations should be looking closely at the public goods they are mandated to support.
- They should be linking that support to the reform processes going on in the countries they serve — taking a position, I suggest, on the different generations of reform they target.
- And in that context, they should re-examine, with their Member States, the services they offer.
- Meanwhile, the gains from intra- and inter-organizational cooperation and coordination in the provision and dissemination of public goods should be assessed as the logical basis on which to reform the multilateral system as a whole.

Thank you for your attention.